

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY Caption in Compliance with D.N.J. LBR 9004-1(b)	
<p>BROWN RUDNICK LLP Robert J. Stark, Esq. Kenneth J. Aulet, Esq. Bennett S. Silverberg, Esq. Seven Times Square New York, NY 10036 Telephone: (212) 209-4800 Fax: (212) 209-4801 Email: rstark@brownrudnick.com kaulet@brownrudnick.com bsilverberg@brownrudnick.com <i>Counsel for the Official Committee of Unsecured Creditors</i> -and- GENOVA BURNS LLC. Daniel M. Stolz, Esq. Donald W. Clarke, Esq. Gregory S. Kinoian, Esq. 110 Allen Rd., Suite 304 Basking Ridge, NJ 07920 Telephone: (973) 230-2095 Fax: (973) 533-1112 Email: DStolz@genovaburns.com DClarke@genovaburns.com GKinoian@genovaburns.com <i>Local Counsel for the Official Committee of Unsecured Creditors</i></p>	<p>BROWN RUDNICK LLP Stephen D. Palley, Esq. 601 Thirteenth Street, NW Washington, DC 20005 Telephone: (202) 536-1700 Fax: (202) 536-1701 Email: spalley@brownrudnick.com</p> <p>BROWN RUDNICK LLP One Financial Center Boston, MA 02111 Tristan Axelrod, Esq. Sharon I. Dwoskin, Esq. Telephone: (617) 856-8300 Fax: (617) 856-8201 Email: taxelrod@brownrudnick.com sdwoskin@brownrudnick.com</p>
<p>In re:</p> <p>BLOCKFI INC., <i>et al.</i>,</p> <p style="text-align: right;">Debtors.¹</p>	<p>Chapter 11</p> <p>Case No. 22-19361 (MBK)</p> <p>Jointly Administered</p>

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC. (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Debtors' service address is 100 Horizon Center Blvd., 1st and 2nd Floors, Hamilton, NJ 08691.

**SECOND INTERIM APPLICATION FOR ALLOWANCE OF FEES AND
REIMBURSEMENT OF EXPENSES OF BROWN RUDNICK LLP, AS COUNSEL
TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD
FROM MAY 1, 2023 THROUGH AND INCLUDING JULY 31, 2023**

TO: THE HONORABLE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY JUDGE

Brown Rudnick LLP (“Brown Rudnick”), counsel to the Official Committee of Unsecured Creditors (the “Committee”), submits this second interim application (the “Application”), pursuant to sections 330(a) and 331 of title 11 of the United States Code, (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rules 2016-1 and 2016-3 of the Local Rules of the United States Bankruptcy Court for the District of New Jersey (the “Local Rules”), and the *Administrative Fee Order Establishing Procedures for the Allowance and Payment of Interim Compensation and Reimbursement of Expenses of Professionals Retained by Order of this Court* [Docket No. 307] (the “Interim Compensation Order”) for the interim allowance of compensation for professional services provided in the amount of \$3,352,402.75 and reimbursement of actual and necessary expenses in the amount of \$57,658.02² that Brown Rudnick incurred for the period from May 1, 2023 through and including July 31, 2023 (the “Application Period”) and requests entry of an order substantially in the form submitted herewith. In support of the Application, Brown Rudnick respectfully represents as follows:

1. On November 28, 2022 (the “Petition Date”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby commencing the instant cases (the “Chapter 11 Cases”). Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy

² Brown Rudnick has voluntarily excluded a total of \$2,461.47 related to disbursements erroneously included on prior monthly fee statements.

Code. The Debtors' Chapter 11 Cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Bankruptcy Rules. No trustee or examiner has been appointed in the Chapter 11 Cases.

2. On December 21, 2022, the United States Trustee for the District of New Jersey (the "U.S. Trustee") formed the Committee in these Chapter 11 Cases. *See Notice of Appointment of Official Committee of Unsecured Creditors* (the "Notice of Appointment") [Docket No. 130].³

3. On December 29, 2022, the Official Committee of Unsecured Creditors selected Brown Rudnick as counsel, Genova Burns LLC ("Genova Burns" or "Local Counsel") as local counsel, and McCarter & English, LLP ("McCarter & English" or "Efficiency Counsel") as efficiency counsel, each subject to the Court's approval.

4. On February 23, 2023, the Court approved the retention and employment of Brown Rudnick as counsel [Docket No. 544] and Genova Burns as local counsel [Docket No. 543], and on March 7, 2023, approved the retention and employment of McCarter & English as efficiency counsel [Docket No. 588], each *nunc pro tunc* to December 29, 2023.

5. On June 15, 2023, Brown Rudnick filed its *First Interim Application for Allowance of Fees and Reimbursement of Expenses of Brown Rudnick LLP, as Counsel to the Official Committee of Unsecured Creditors for Services Rendered and Reimbursement of Expenses Incurred for the Period of December 29, 2022 Through and Including April 30, 2023* (the "First Interim Application") [Docket No. 1074].

6. This Application is Brown Rudnick's second application for allowance of interim compensation for services rendered and for reimbursement of expenses. Brown Rudnick

³ The U.S. Trustee filed an *Amended Notice of Appointment of Official Committee of Unsecured Creditors* on December 22, 2022, to reflect certain non-substantive additions. [Docket No. 131].

previously filed three (3) monthly fee statements [Docket Nos. 1087, 1189, and 1345] (together, the “Monthly Fee Applications”) covering the Application Period. The Monthly Fee Applications were also served upon the Debtors, the U.S Trustee, and the other notice parties in accordance with the provisions of the Interim Compensation Order and are incorporated herein by reference.

**SUMMARY OF SERVICES PERFORMED BY
BROWN RUDNICK DURING THE SECOND INTERIM FEE PERIOD**

7. The services rendered by Brown Rudnick during these Chapter 11 Cases can be grouped into the categories set forth below. Brown Rudnick attempted to place the services provided in the category that best relates to such services. However, because certain services may relate to one or more categories, services pertaining to one category may in fact be included in another category. The following provides a narrative description of project categories to which attorneys and paraprofessionals of Brown Rudnick dedicated the most significant time (i.e., time charges in excess of \$50,000 in the aggregate) during the Application Period:

(a) **Meetings and Communications with Creditors (Matter 0003): Fees: \$345,906.00; Total Hours: 264.3.** These fees include all services rendered by Brown Rudnick relating to in-person or virtual meetings with the Committee. Due to the size and complexity of this case, it was (and remains) necessary for Brown Rudnick to meet and consult with the Committee on a regular basis to keep the Committee adequately informed on case developments and strategic decisions. During the Application Period, Brown Rudnick and other Committee professionals conducted standing weekly meetings with the Committee, as well as additional meetings and communications as circumstances warranted. Brown Rudnick also prepared weekly updates to the Committee to apprise the Committee of upcoming meetings, deadlines, related case developments, and ongoing workstreams to streamline discussions with the Committee. Further,

Brown Rudnick responded to numerous creditor inquiries regarding the status of these Chapter 11 Cases, including questions related to proof of claims and timing of distributions.

(b) **Employment and Fee Applications (Matter 0004): Fees: \$54,842.50; Total Hours: 77.2.** These fees include all services rendered by Brown Rudnick relating to the preparation of three (3) monthly fee statements covering April 1, 2023 – June 30, 2023, as well as its First Interim Application. Brown Rudnick complied with the Interim Compensation Order and prepared and filed three (3) monthly fee statements to date which are the subject of allowance pursuant to this Application.

(c) **Plan and Disclosure Statement (Matter 0006): Fees: \$1,639,925.00; Total Hours: 1,388.6.** These fees include all services rendered by Brown Rudnick relating to the Debtors' plan and disclosure statement and eventual settlement incorporated in the *Third Amended Joint Chapter 11 Plan of BlockFi Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "Plan") [Docket No. 1309]. On May 15, 2023, the Committee filed a motion [Docket No. 895] to remedy certain solicitation issues. Brown Rudnick also participated in Court ordered mediation (Docket No. 1013) and met with the mediator on several occasions to work towards resolution of significant, complicated issues in these cases. Brown Rudnick also prepared and filed on behalf of the Committee the *Objection of the Official Committee of Unsecured Creditors to Debtors' Second Motion to Extend Exclusivity and Cross-Motion of the Official Committee of Unsecured Creditors for an Order (A) Appointing a Chapter 11 Trustee, (B) Terminating The Debtors' Exclusivity Periods or, Alternatively, (C) Converting these Cases to Chapter 7 Proceedings, and (D) for other Related Relief* (the "Cross-Motion") [Docket No. 1131] and the *Official Committee of Unsecured Creditors' Supplemental Objection to the Debtors'*

Second Motion to Extend Exclusivity Periods [Docket No. 1188]. Brown Rudnick also consulted and commented on the Plan and related documentation.

(d) **Stay Relief/Injunction Litigation (Matter 0007): Fees: \$219,030.00; Total Hours: 202.6.** These fees include all services rendered by Brown Rudnick relating to responding to the Department of Justice's request to seize certain assets that are property of BlockFi's estates. Brown Rudnick, at the direction of the Committee, responded to the seizure attempt through the commencement of an adversary proceeding with this Court and obtained multiple temporary restraining orders prohibiting the Department of Justice from seizing the estates' property.

(e) **Committee Investigation (Matter 0010): Fees: \$675,958.50; Total Hours: 695.1.** These fees include all services rendered by Brown Rudnick in connection with the comprehensive investigation conducted into the Debtors' prepetition activities and events leading up to these Chapter 11 Cases, as well as the various causes of action that may be asserted on behalf of the Debtors' estates. As part of this investigation, Brown Rudnick drafted several information and document requests, reviewed over 30,000 documents produced in discovery, interviewed and deposed over twelve (12) individuals. Brown Rudnick prepared a comprehensive report titled: *Preliminary Report Addressing Question Posed by the Official Committee of Unsecured Creditors: Why Did BlockFi Fail?* The report detailed the actions taken by the Committee as part of its investigation, a summary of the events leading to the commencement of the Chapter 11 Cases, and the Committee's preliminary assessment of causes of action related to the Debtors. The report is available at Docket No. 1202.

(f) **Claims Administration and Objections (Matter 0012): Fees: \$50,134.00; Total Hours: 60.5.** These fees include all services rendered by Brown Rudnick relating to claims administration, objections to claims, and allowance of claims. During the Application Period,

Brown Rudnick evaluated the treatment of claims arising under the Debtors' various product offerings (*e.g.*, Wallet, BIA, retail/institutional loans, and private client program). This included analysis of, among other things: (i) the potential treatment of customers' loan claims (and potential setoff rights the customers may hold) and (ii) the intercompany claims held among the Debtors and the resulting impact on creditor recoveries at each Debtor entity as a result thereof. Brown Rudnick also researched and analyzed the impact of claim dollarization and prepared a memorandum on the same for the Committee.

(g) **Tax (Matter 0013): Fees: \$111,155.00; Total Hours: 95.2.** These fees include all services rendered by Brown Rudnick relating to research and analysis of the tax implications of proposed distributions under a Chapter 11 plan (or prior interim distributions) and potential tax treatment of customer losses.

(h) **Hearings (Matter 0015): Fees: \$118,885.50; Total Hours: 85.5.** These fees include services rendered by Brown Rudnick relating to preparation for and attendance at hearings held during the Application Period, which included hearings on the: (i) July 13 status conference, and (ii) July 13 exclusivity hearing.

8. Brown Rudnick asserts that the foregoing services were necessary to the administration of the Chapter 11 Cases and were beneficial to the Committee at the time which the services were rendered. All services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue or task addressed.

SUPPORTING DOCUMENTATION

9. As noted above, Brown Rudnick was retained to serve in the capacity of counsel to the Committee by Order of this Court dated February 23, 2023, which retention was effective as of December 29, 2022.

10. This Application represents Brown Rudnick's second interim fee application as counsel to the Committee and covers the period from May 1, 2023 through July 31, 2023.

11. The computerized time sheets included with the Monthly Fee Statements detail the services rendered by the members and associates of Brown Rudnick, the hourly rate charged by each member, associate or paralegal, and the actual time expended in the performance of such services. Said time sheets reflect that Brown Rudnick has expended 3,046.6 hours in performing services for the Committee, resulting in charges of \$3,352,402.75. The blended hourly rate charged herein is \$1,100.37 which Brown Rudnick believes is fair and reasonable in light of the nature of the services rendered and the expertise of the professionals rendering such services.

12. The Monthly Fee Statements also include a detailed breakdown of all out-of-pocket disbursements incurred by Brown Rudnick in the performance of its duties as counsel to the Committee, which total \$57,658.02. In the normal course of Brown Rudnick's practice, expenses are only charged to a client after the expenses are actually incurred by Brown Rudnick.

13. The following Monthly Fee Statements which comprise this Application were filed with the Court and served pursuant to the Interim Compensation Order:

Date Filed and Docket No.	Filing Period	Total Fees (at 100%)	20% Holdback	Fees Requested (at 80%)	Expenses Requested (at 100%)
(Fifth) 6/16/2023 Docket No. 1087	May 1, 2023 – May 31, 2023	\$1,278,613.75	\$255,722.75	\$1,022,891.00	\$22,308.15
(Sixth) 7/12/2023 Docket No. 1189	June 1, 2023 – June 30, 2023	\$1,159,495.50	\$231,899.10	\$927,596.40	\$16,623.99
(Seventh) 8/11/2023 Docket No. 1345	July 1, 2023 – July 31, 2023	\$914,293.50	\$182,858.70	\$731,434.80	\$18,725.88

TOTAL		\$3,352,402.75	\$670,480.55	\$2,681,922.20	\$57,658.02
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14. Annexed hereto and made part hereof as Exhibit A is the Certification of Robert J. Stark with respect to compliance of Local Rules 2016-1 and 2016-3 and the U.S. Trustee Guidelines.

RELIEF REQUESTED

15. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, Brown Rudnick respectfully submits that the amount of compensation requested in this Application is fair and reasonable given (a) the complexity of the Chapter 11 Cases, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under the Bankruptcy Code.

16. Brown Rudnick has reviewed the requirements of Local Rules 2016-1 and 2016-3 and the U.S. Trustee Guidelines and believes this Application substantially complies therewith.

CONCLUSION

WHEREFORE, Brown Rudnick respectfully requests (a) interim approval and allowance of compensation for professional and paraprofessional services rendered as counsel to the Committee during the Application Period in the amount of \$3,352,402.75; (b) interim approval and allowance of the amount of actual and necessary out-of-pocket expenses incurred in the course of providing services as counsel to the Committee during the Application Period in the amount of \$57,658.02; (c) approval of payment of the Holdbacks in the amount of \$670,480.55; and (d) entry of an order authorizing and directing that the Debtors, as debtors-in-possession, pay to Brown Rudnick the amounts allowed, subject to amounts paid on account of the Monthly Fee Statements under the Interim Compensation Order, and (e) granting any and all further relief as may be appropriate.

New York, New York
Dated: September 15, 2023

Respectfully submitted,

By: /s/ Robert J. Stark

BROWN RUDNICK LLP

Robert J. Stark, Esq.
Kenneth J. Aulet, Esq.
Bennett S. Silverberg, Esq.
Seven Times Square
New York, NY 10036
Telephone: (212) 209-4800
Fax: (212) 209-4801
Email: rstark@brownrudnick.com

Stephen D. Palley, Esq.
601 Thirteenth Street, NW
Washington, DC 20005
Telephone: (202) 536-1700
Fax: (202) 536-1701
Email: spalley@brownrudnick.com

Tristan G. Axelrod, Esq.
Sharon I. Dwoskin, Esq.
One Financial Center
Boston, MA 02111
Telephone: (617) 856-8200
Fax: (617) 856-8201
Email: taxelrod@brownrudnick.com

*Counsel for the Official
Committee of Unsecured Creditors*